

# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name <b>Yates Township</b>	County <b>Lake</b>
Audit Date <b>3/31/04</b>	Opinion Date <b>12/6/04</b>	Date Accountant Report Submitted to State: <b>1/6/05</b>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following: "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations.

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☒ Yes ☐ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

## We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) <b>Baird, Cotter &amp; Bishop, P.C.</b>			
Street Address <b>134 W. Harris Street</b>		City <b>Cadillac</b>	State <b>MI</b>
Accountant Signature <i>John C. Quenda CPA</i>		ZIP <b>49601</b>	Date <b>1-5-05</b>

YATES TOWNSHIP, LAKE COUNTY  
IDLEWILD, MICHIGAN

MARCH 31, 2004

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YATES TOWNSHIP, LAKE COUNTY  
IDLEWILD, MICHIGAN

MARCH 31, 2004

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1902 - 1990  
JACK H. BAIRD, C.P.A.  
JERRY L. COTTER, C.P.A.  
DALE D. COTTER, C.P.A.

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JONATHAN E. DAMHOF, C.P.A.  
MICHAEL D. COOL, C.P.A.

CERTIFIED PUBLIC ACCOUNTANTS

December 6, 2004

INDEPENDENT AUDITORS' REPORT

To the Township Board  
Yates Township  
Lake County  
Idlewild, Michigan

We have audited the accompanying general-purpose financial statements of Yates Township, Lake County, Idlewild, Michigan, as of and for the year ended March 31, 2004, as listed in the table of contents. These general-purpose financial statements are the responsibility of the Township. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general-purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note I.B, the township's policy is to prepare some of its financial statements on the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

The general-purpose financial statements referred to above do not include the general fixed asset account group, which should be included to conform with accounting principles generally accepted in the United States of America. The amount that should be recorded in the general fixed assets account group is not known.

In our opinion, except for the omission of the information described in the preceding paragraph, the general-purpose financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Yates Township, Lake County, Idlewild, Michigan as of March 31, 2004, and the cash receipts it received and cash disbursements it paid for the year then ended for its governmental fund and the results of its operations and the cash flows of its proprietary fund type for the year then ended.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 6, 2004, on our consideration of Yates Township's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the general-purpose financial statements taken as a whole. The accompanying financial information listed as "Financial Statements of Individual Funds" and "Other Information" in the table of contents is presented for purposes of additional analysis and is not a required part of the general-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements, and in our opinion, it is fairly stated in all material respects in relation to the general-purpose financial statements taken as a whole.

BAIRD, COTTER AND BISHOP, P. C.

*Baird, Cotter & Bishop, P.C.*

YATES TOWNSHIP, LAKE COUNTY  
IDLEWILD, MICHIGAN

COMBINED STATEMENT OF ASSETS AND LIABILITIES ARISING FROM CASH TRANSACTIONS  
ALL FUND TYPES AND ACCOUNT GROUP

MARCH 31, 2004

	<u>GOVERNMENT FUND TYPE GENERAL</u>	<u>PROPRIETARY FUND TYPE ENTERPRISE</u>
<u>ASSETS AND OTHER DEBITS</u>		
<u>Assets</u>		
Cash		
Commercial Account	\$ 0	\$ 17,630
Money Market Account	361,945	0
Certificates of Deposit	45,092	0
Taxes Receivable	112,340	0
Accounts Receivable	0	5,203
Due from Other Funds	0	0
Restricted Assets	0	15,094
Fixed Assets (Sewer Fund)		
Net of Accumulated Depreciation	0	2,096,867
<u>Other Debits</u>		
Amount to be Provided for		
Retirement of General Long-Term Debt	0	0
TOTAL ASSETS AND OTHER DEBITS	<u>\$ 519,377</u>	<u>\$ 2,134,794</u>
<u>LIABILITIES AND EQUITY</u>		
<u>LIABILITIES</u>		
Accrued Interest Payable	\$ 0	\$ 1,381
Due to Other Funds	2,105	0
Due to Other Governments	0	0
Deferred Revenue	112,340	0
Equipment Note Payable	0	0
Revenue Bonds Payable	0	384,000
Total Liabilities	<u>\$ 114,445</u>	<u>\$ 385,381</u>
<u>EQUITY</u>		
Contributed Capital	\$ 0	\$ 1,767,323
Retained Earnings (Deficit)	0	(17,910)
Balance		
Unreserved	404,932	0
Total Fund Equity	<u>\$ 404,932</u>	<u>\$ 1,749,413</u>
TOTAL LIABILITIES AND EQUITY	<u>\$ 519,377</u>	<u>\$ 2,134,794</u>

The accompanying notes are an integral part of these financial statements.

EXHIBIT A

FIDUCIARY FUND TYPE AGENCY	ACCOUNT GROUP		TOTALS (MEMORANDUM ONLY)
	GENERAL	LONG-TERM DEBT	
\$ 44,198	\$	0	\$ 61,828
0		0	361,945
0		0	45,092
0		0	112,340
0		0	5,203
2,105		0	2,105
0		0	15,094
0		0	2,096,867
0		54,708	54,708
<u>\$ 46,303</u>	<u>\$</u>	<u>54,708</u>	<u>\$ 2,755,182</u>
\$ 0	\$	0	\$ 1,381
0		0	2,105
3,150		30,751	33,901
0		0	112,340
0		23,957	23,957
0		0	384,000
<u>\$ 3,150</u>	<u>\$</u>	<u>54,708</u>	<u>\$ 557,684</u>
\$ 0	\$	0	\$ 1,767,323
0		0	(17,910)
43,153		0	448,085
<u>\$ 43,153</u>	<u>\$</u>	<u>0</u>	<u>\$ 2,197,498</u>
<u>\$ 46,303</u>	<u>\$</u>	<u>54,708</u>	<u>\$ 2,755,182</u>

The accompanying notes are an integral part of these financial statements.

YATES TOWNSHIP, LAKE COUNTY  
IDLEWILD, MICHIGAN

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN BALANCE  
GENERAL FUND

FOR THE YEAR ENDED MARCH 31, 2004

RECEIPTS

Taxes	\$ 330,650
Licenses and Permits	2,765
State Grants	61,682
Contribution from Local Units	10,465
Charges for Services	12,729
Interest and Rents	7,774
Other Receipts	14,782
	<hr/>
Total Receipts	\$ 440,847

DISBURSEMENTS

Legislative	
Township Board	\$ 24,073
General Government	
Supervisor	12,159
Elections	1,141
Assessor	35,058
Clerk	12,417
Board of Review	1,488
Treasurer	14,776
Computer Administration	3,705
Building and Grounds	46,468
Public Safety	92,577
Public Works	99,082
Community and Economic Development	5,744
Recreation and Cultural	21,695
Public Transportation	8,056
Other Functions	49,644
	<hr/>
Total Disbursements	\$ 428,083

Excess of Receipts Over (Under) Disbursements	\$ 12,764
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<u>BALANCE</u> - April 1, 2003	<hr/> 392,168
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<u>BALANCE</u> - March 31, 2004	<hr/> <hr/> \$ 404,932
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The accompanying notes are an integral part of these financial statements.



YATES TOWNSHIP, LAKE COUNTY  
IDLEWILD, MICHIGAN

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN BALANCE  
BUDGET AND ACTUAL  
GENERAL FUND

FOR THE YEAR ENDED MARCH 31, 2004

	BUDGET	ACTUAL	VARIANCE- FAVORABLE (UNFAVORABLE)
<u>RECEIPTS</u>			
Taxes	\$ 378,287	\$ 330,650	\$ (47,637)
Licenses and Permits	2,095	2,765	670
State Grants	58,100	61,682	3,582
Contribution from Local Units	8,773	10,465	1,692
Charges for Services	0	12,729	12,729
Interest and Rents	8,200	7,774	(426)
Other Receipts	0	14,782	14,782
Total Receipts	\$ 455,455	\$ 440,847	\$ (14,608)
<u>DISBURSEMENTS</u>			
Legislative			
Township Board	\$ 31,986	\$ 24,073	\$ 7,913
General Government			
Supervisor	11,800	12,159	(359)
Elections	800	1,141	(341)
Assessor	34,325	35,058	(733)
Clerk	11,827	12,417	(590)
Board of Review	1,000	1,488	(488)
Treasurer	12,402	14,776	(2,374)
Computer Administration	1,800	3,705	(1,905)
Building and Grounds	33,415	46,468	(13,053)
Public Safety	84,000	92,577	(8,577)
Public Works	100,138	99,082	1,056
Community and Economic Development	1,950	5,744	(3,794)
Recreation and Cultural	7,820	21,695	(13,875)

The accompanying notes are an integral part of these financial statements.

YATES TOWNSHIP, LAKE COUNTY  
IDLEWILD, MICHIGAN

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN BALANCE  
BUDGET AND ACTUAL  
GENERAL FUND

FOR THE YEAR ENDED MARCH 31, 2004

	BUDGET	ACTUAL	VARIANCE- FAVORABLE (UNFAVORABLE)
Public Transportation	7,800	8,056	(256)
Other Functions	49,000	49,644	(644)
Total Disbursements	\$ 390,063	\$ 428,083	\$ (38,020)
Excess of Receipts Over (Under) Disbursements	\$ 65,392	\$ 12,764	\$ (52,628)
<u>BALANCE</u> - April 1, 2003	392,168	392,168	0
<u>BALANCE</u> - March 31, 2004	\$ 457,560	\$ 404,932	\$ (52,628)

The accompanying notes are an integral part of these financial statements.

YATES TOWNSHIP, LAKE COUNTY  
IDLEWILD, MICHIGAN

STATEMENT OF REVENUES, EXPENSES AND CHANGE IN RETAINED EARNINGS

ALL PROPRIETARY FUND TYPES - SEWER FUND  
FOR THE YEAR ENDED MARCH 31, 2004

OPERATING REVENUES

Charges for Services	\$	34,690
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OPERATING EXPENSES

Other Services and Charges

Contracted Treatment	\$	660	
Professional Services		3,000	
Utilities		4,883	
Telephone		1,120	
Repairs		1,422	
Depreciation		45,643	
		56,728	

Operating Income (Loss)	\$	(22,038)
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NONOPERATING REVENUES (EXPENSES)

Interest Income	\$	110
Interest Expense		(16,961)

Total Nonoperating Revenues (Expenses)	\$	(16,851)
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Net Income (Loss)	\$	(38,889)
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Depreciation on Fixed Assets Acquired by Grants and  
Shared Revenues Externally Restricted for Capital  
Acquisition and Construction that Reduces  
Contributed Capital

45,643

Increase (Decrease) in Retained Earnings	\$	6,754
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<u>RETAINED EARNINGS (DEFICIT) - April 1, 2003</u>		(24,664)
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<u>RETAINED EARNINGS (DEFICIT) - March 31, 2004</u>	\$	(17,910)
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The accompanying notes are an integral part of these financial statements.

YATES TOWNSHIP, LAKE COUNTY  
IDLEWILD, MICHIGAN

STATEMENT OF CASH FLOWS  
ALL PROPRIETARY FUND TYPES  
SEWER FUND

FOR THE YEAR ENDED MARCH 31, 2004

CASH FLOWS FROM OPERATING ACTIVITIES:

Operating Income (Loss)	\$ (22,038)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities	
Depreciation	\$ 45,643
(Increase) Decrease in Current Assets	
Accounts Receivable	(1,025)
Increase (Decrease) in Current Liabilities	
Accrued Interest Payable	(14)
Total Adjustments	\$ 44,604
Net Cash Provided (Used) by Operating Activities	\$ 22,566

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

Payment of Revenue Bonds	\$ (4,000)
Interest Expense	(16,961)
Net Cash Provided by (Used for) Capital and Related Financing Activities	\$ (20,961)

CASH FLOWS FROM INVESTING ACTIVITIES

Interest Income	\$ 110
Net Increase (Decrease) in Cash and Cash Equivalents	\$ 1,715

<u>CASH AND EQUIVALENTS</u> - April 1, 2003	31,009
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<u>CASH AND EQUIVALENTS</u> - March 31, 2004	\$ 32,724
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<u>INTEREST PAID</u>	\$ 16,975
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The accompanying notes are an integral part of these financial statements.

YATES TOWNSHIP, LAKE COUNTY  
IDLWEILD, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2004

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Yates Township is a general law township located in Lake County which operates under the direction of an elected township board. Under the criteria established by generally accepted accounting principles, the Township has determined that there are no component units which should be included in its reporting entity.

B. Measurement Focus, Basis of Accounting and Basis of Presentation

The accounts of the Township are organized on the basis of funds and account groups. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements. Account groups are a reporting device to account for certain assets and liabilities of the governmental funds not recorded directly in those funds.

The Township has the following fund types and account group:

Governmental funds are used to account for the Township's general government activities. The Township uses the flow of economic resources measurement focus and the modified cash basis of accounting for this fund which is an other comprehensive basis of accounting (OCBOA). Under the modified cash basis of accounting, revenues are recognized when collected (i.e., when cash is received). Expenditures are recorded when cash is disbursed.

Governmental funds include the following fund type:

The General Fund is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Proprietary Funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The government applies Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. Proprietary funds include the following fund type:

YATES TOWNSHIP, LAKE COUNTY  
IDLWEILD, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2004

Enterprise Funds are used to account for those operations that are financed and operated in a manner similar to private business or where the governing body has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability.

Fiduciary funds account for assets held by the Township in a trustee capacity or as an agent on behalf of others.

The Land Trust Fund is custodial in nature and does not present results of operations or have a measurement focus. The Land Trust Fund is accounted for using the modified cash basis of accounting. This fund is used to account for money collected for the sale of tax-reverted land and remitted to the county.

The Current Tax Collection Fund is an agency fund and is custodial in nature. It does not present results of operation or have a measurement focus. The agency fund also uses the modified cash basis of accounting. This fund is used to account for property tax collections which the township makes and distributes for others in an agency capacity.

Account Group. The General Long-Term Debt Account Group is used to account for general long-term debt and certain other liabilities of governmental fund types.

**C. Assets, Liabilities and Equity**

**1. Deposits and Investments**

The Township's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from date of acquisition.

The Investment Policy adopted by the Township allows the Treasurer to invest in certificates of deposit, savings deposit receipts and savings accounts.

**2. Receivables and Payables**

Under the modified cash basis of accounting, a noncash asset recorded is a receivable for uncollected property taxes. This receivable is entirely offset by a deferred revenue liability account so that income is only recognized when cash is received.

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds."

YATES TOWNSHIP, LAKE COUNTY  
IDLWEILD, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2004

All trade receivables in the Sewer Fund are shown without an allowance for uncollectibles because delinquent amounts attach as a lien against the benefited property which assures their eventual collection.

3. Fixed Assets

Fixed assets used in governmental fund types (general fixed assets) should be accounted for in the General Fixed Assets Account Group at cost or estimated historical cost if purchased or constructed. Donated fixed assets should be recorded at their estimated fair value at the date of donation. Assets in the general fixed assets account group are not depreciated. Interest incurred during construction is not capitalized.

Public domain (infrastructure) general fixed assets (e.g., roads, bridges, sidewalks and other assets that are immovable and of value only to the Township) are not capitalized.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets' lives are not included in the general fixed assets account group.

The Township does not maintain a General Fixed Asset Account Group.

4. Property, Plant, and Equipment

Property, plant and equipment in the proprietary fund of the Township are recorded at cost. Property, plant and equipment donated to these proprietary fund type operations are recorded at their estimated fair value at the date of donation.

Major outlays for capital assets and improvements are capitalized in proprietary funds as projects are constructed. Interest incurred during the construction phase of proprietary fund fixed assets is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period. The total interest expense capitalized in the Township Sewer Fund in connection with wastewater treatment facility construction was \$17,258.

Property, plant and equipment are depreciated in the proprietary fund of the Township using the straight-line method over the following estimated useful lives:

Sewer Systems	50 Years
Machinery and Equipment	10 Years

YATES TOWNSHIP, LAKE COUNTY  
IDLWEILD, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2004

5. Long-Term Obligations

The Township reports long-term debt of governmental funds at face value in the general long-term debt account group. Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate funds.

6. Use of Estimates

This presentation of financial statements requires the Township to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of receipts and disbursements during the reporting period. Actual results could differ from those estimates.

7. Memorandum Only - Total Columns

Total columns on the general-purpose financial statements are captioned "Memorandum Only" because they do not represent consolidated financial information and are presented only to facilitate financial analysis. The columns do not present information that reflects financial position, results of operations or cash flows in accordance with generally accepted accounting principles. Interfund eliminations have not been made in the aggregation of this data.

8. Restricted Assets

The \$15,094 restricted assets in the Sewer Fund represents monies required under the bond ordinance for the following:

ITEM	ACTUAL	AMOUNT REQUIRED
Bond and Interest Redemption Fund	\$ 11	\$ 6,017
Bond Reserve Account	15,083	22,000
Total	\$ 15,094	\$ 28,017

9. Fund Equity

Reservations of fund balance represent amounts that are not appropriable or are legally segregated for a specific purpose. The proprietary fund's contributed capital represents equity acquired through capital grants.



YATES TOWNSHIP, LAKE COUNTY  
IDL WEILD, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2004

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

**A. Budgetary Information**

The annual budgets are adopted on the modified cash basis in accordance with the requirements of Michigan Public Act 621 of 1978 "The Uniform Budgeting and Accounting Act". A public hearing is held to obtain taxpayer comments. Appropriations lapse at year end. Budget amounts presented are as originally adopted on March 22, 2003, or as amended by the Township Board time to time throughout the year.

The appropriated budget is prepared by fund and activity. The Township Board exercises budgetary control over expenditures.

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the Township because it is not, at present, considered necessary to assure effective budgetary control or to facilitate effective cash planning and control.

**B. Excess of Expenditures Over Appropriations**

For the year ended March 31, 2004, expenditures exceeded appropriations in the General Fund by \$38,020. This overexpenditure was funded by available beginning balance.

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUP

**A. Deposits and Investments**

At year-end, the carrying amount of the Township's deposits and investments was \$483,959 and the bank balance was \$468,032. Of the bank balance, \$168,828 was covered by Federal Depository Insurance and \$299,204 was uninsured and uncollateralized.

The carrying amount of the Township's deposits and investments at year-end are shown below:

	GENERAL FUND	SEWER FUND	LAND TRUST FUND	CURRENT TAX COLLECTION FUND	TOTAL
Lake Osceola State Bank					
Baldwin, Michigan					
Commercial Account	\$ 0	\$ 17,630	\$ 32,486	\$ 11,712	\$ 61,828
Money Market	361,945	15,094	0	0	377,039
Certificates of Deposit	45,092	0	0	0	45,092
TOTAL	\$ 407,037	\$ 32,724	\$ 32,486	\$ 11,712	\$ 483,959

YATES TOWNSHIP, LAKE COUNTY  
IDLWEILD, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2004

**B. Changes in Long-Term Debt**

The following is a summary of the long-term debt transactions of the Township for the year ended March 31, 2004:

	<u>BONDS</u>	<u>NOTES</u>	<u>TOTAL</u>
Long-Term Debt Payable at April 1, 2003	\$ 388,000	\$ 74,036	\$ 462,036
Long-Term Debt Incurred	0	0	0
Long-Term Debt Retired	<u>(4,000)</u>	<u>(19,328)</u>	<u>(23,328)</u>
LONG-TERM DEBT PAYABLE AT MARCH 31, 2004	\$ <u>384,000</u>	\$ <u>54,708</u>	\$ <u>438,708</u>

Long-term debts at March 31, 2004 are comprised of the following individual amounts:

Bonds Payable

The long-term debt at March 31, 2004 consists of a bond payable for Yates Township Sanitary Sewage Disposal System Bonds - Series 1999 - due in annual installments of \$5,000 to \$21,000 through March 1, 2039, interest at 4.375%. \$ 384,000

Lake County Tax Chargeback Note

The long-term debt at March 31, 2004 consists of a note payable to the Lake County Treasurer for tax chargebacks from 1983-1995. The note is being repaid in annual installments of \$15,376 through the 2005-2006 fiscal year at no interest, principal only. 30,751

Fire Equipment Note

The long-term debt at March 31, 2004 consists of a note payable to Lake-Osceola State Bank for the purchase of fire protection equipment. The note is being repaid in annual installments of \$5,000 to \$6,852 through June 29, 2008 including interest at 3.75% 23,957

\$ 438,708

The annual requirements to amortize the long-term debt outstanding as of March 31, 2004, including interest payments of \$376,830 are as follows:

YATES TOWNSHIP, LAKE COUNTY  
IDLWEILD, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2004

<u>YEAR ENDING MARCH 31,</u>	LAKE COUNTY			FIRE EQUIPMENT NOTE	TOTAL
	BONDS PAYABLE	TAX CHARGEBACK NOTE			
2005	\$ 21,800	\$ 15,376		\$ 5,000	\$ 42,176
2006	21,582	15,375		5,000	41,957
2007	21,362	0		5,000	26,362
2008	21,144	0		5,000	26,144
2009	21,926	0		6,852	28,778
2010	21,662	0		0	21,662
2011 and Thereafter	628,459	0		0	628,459
	<u>\$ 757,935</u>	<u>\$ 30,751</u>		<u>\$ 26,852</u>	<u>\$ 815,538</u>

IV. OTHER INFORMATION

A. Property Taxes

The Township levied .9266 mills for general operating purposes on a taxable value of \$21,455,759. In addition, the Township levied a per parcel special assessment to supplement General Fund operations.

Properties are assessed January 1, and the related property taxes become a lien on December 1 of the same year. Taxes are due and payable to the Township treasurer on or before February 28. After February 28, the property taxes are payable to the Lake County Treasurer. Property taxes levied December 1 which are collected prior to the end of the fiscal year are recognized as income in the year in which they are levied. The Township's portion of delinquent property taxes receivable is recognized as an asset. The taxes receivable are also recorded as deferred revenue and the tax collections are recorded as cash receipts when collected.

B. Interest Income and Expense

For the year ended March 31, 2004, interest income and expense is summarized as follows:

	INTEREST	
	INCOME	EXPENSE
General Fund	\$ 1,074	\$ 1,047
Sewer Fund	110	16,961
Land Trust Fund	51	0
	<u>\$ 1,235</u>	<u>\$ 18,008</u>

Note - Interest income earned in the Current Tax Collection Fund is periodically transferred to the General Fund and is shown as General Fund interest income.

YATES TOWNSHIP, LAKE COUNTY  
IDLWEILD, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2004

**C. Risk Management**

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The Township participates in a pool of municipalities within the State of Michigan for self-insuring property and casualty, crime, general liability, errors and omissions, and worker's compensation insurance. The Township pays annual premiums to the pool for the respective insurance coverage. In the event the pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessments to make up the deficiency. The Township has not been informed of any special assessments being required for the current year or the three prior years.

The Township continued to carry insurance for other risks of loss, including fidelity bonds.

**D. Property Tax Administration Fee**

The Township passed a resolution on December 20, 1993, to charge a 1% administration fee on all ad valorem taxes levied after this date. Also, a late penalty fee of 3% shall be added after February 14th and shall terminate on the last day of February. The resolution is to continue in force and effect until revoked by the Township Board

The Township has determined that authorized costs of tax collection will be repeatedly in excess of the revenue generated by the administration fee so that a restricted earnings account is not reflected in these statements.

**E. Current Tax Collection Fund Balance**

The balance of \$11,712 remaining in the Current Tax Collection Fund at March 31, 2004, consists of current tax collections, property tax administration fees and late payment penalties payable as follows:

Lake County		
Current Tax Collections	\$	943
Baldwin Community School		
Current Tax Collections		485
Mason/Lake Intermediate School		
Current Tax Collections		2
Yates Township		
General Fund		
Current Tax Collections	\$	494
Special Assessments		78
Collection Fees and Penalties		9,710
		<u>10,282</u>
	\$	<u>11,712</u>

YATES TOWNSHIP, LAKE COUNTY  
IDLEWILD, MICHIGAN

GENERAL FUND  
STATEMENT OF ASSETS AND LIABILITIES ARISING FROM CASH TRANSACTIONS

MARCH 31, 2004

ASSETS

Cash	
Money Market Accounts	\$ 361,945
Certificates of Deposit	45,092
Taxes Receivable	<u>112,340</u>
 TOTAL ASSETS	 \$ <u>519,377</u>

LIABILITIES AND EQUITY

LIABILITIES

Due to Land Trust Fund	\$ 2,105
Deferred Revenue	<u>112,340</u>
 Total Liabilities	 \$ 114,445

EQUITY

Balance	
Unreserved	<u>404,932</u>
 TOTAL LIABILITIES AND EQUITY	 \$ <u>519,377</u>

YATES TOWNSHIP, LAKE COUNTY  
IDLEWILD, MICHIGAN

GENERAL FUND  
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN BALANCE  
BUDGET AND ACTUAL

FOR THE YEAR ENDED MARCH 31, 2004

	BUDGET	ACTUAL	VARIANCE- FAVORABLE (UNFAVORABLE)
<u>RECEIPTS</u>			
Taxes	\$ 378,287	\$ 330,650	\$ (47,637)
Licenses and Permits	2,095	2,765	670
State Grants	58,100	61,682	3,582
Contribution from Local Units	8,773	10,465	1,692
Charges for Services	0	12,729	12,729
Interest and Rents	8,200	7,774	(426)
Other Receipts	0	14,782	14,782
Total Receipts	\$ 455,455	\$ 440,847	\$ (14,608)
<u>DISBURSEMENTS</u>			
Legislative			
Township Board	\$ 31,986	\$ 24,073	\$ 7,913
General Government			
Supervisor	11,800	12,159	(359)
Elections	800	1,141	(341)
Assessor	34,325	35,058	(733)
Clerk	11,827	12,417	(590)
Board of Review	1,000	1,488	(488)
Treasurer	12,402	14,776	(2,374)
Computer Administration	1,800	3,705	(1,905)
Building and Grounds	33,415	46,468	(13,053)
Public Safety	84,000	92,577	(8,577)
Public Works	100,138	99,082	1,056

YATES TOWNSHIP, LAKE COUNTY  
IDLEWILD, MICHIGAN

GENERAL FUND  
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN BALANCE  
BUDGET AND ACTUAL

FOR THE YEAR ENDED MARCH 31, 2004

	BUDGET	ACTUAL	VARIANCE- FAVORABLE (UNFAVORABLE)
Community and Economic Development	1,950	5,744	(3,794)
Recreation and Cultural	7,820	21,695	(13,875)
Public Transportation	7,800	8,056	(256)
Other Functions	49,000	49,644	(644)
Total Disbursements	\$ 390,063	\$ 428,083	\$ (38,020)
Excess of Receipts Over (Under) Disbursements	\$ 65,392	\$ 12,764	\$ (52,628)
<u>BALANCE</u> - April 1, 2003	392,168	392,168	0
<u>BALANCE</u> - March 31, 2004	\$ 457,560	\$ 404,932	\$ (52,628)

YATES TOWNSHIP, LAKE COUNTY  
IDLEWILD, MICHIGAN

GENERAL FUND  
ANALYSIS OF CASH RECEIPTS

FOR THE YEAR ENDED MARCH 31, 2004

TAXES

Current Property Taxes	\$ 110,730	
Delinquent Property Tax and Interest	47,678	
Property Tax Administration Fee	3,472	
National Forest	1,718	
Commercial Forest	158	
Tax Reverted Lands	5,986	
Special Assessments		
Street Lighting	34,586	
Public Safety	22,380	
Refuse Collection	56,966	
Transportation	8,138	
Police Protection	24,414	
Lake Improvements	7,660	
Fire Truck	<u>6,764</u>	
Total Taxes		\$ 330,650

LICENSES AND PERMITS

Other Licenses and Permits	2,765
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STATE GRANTS

State Revenue Sharing		
Sales and Use Tax	\$ 55,231	
Penal Fines	5,358	
State Aid - Library	<u>1,093</u>	
Total State Grants		61,682

CONTRIBUTION FROM LOCAL UNITS

Cherry Valley Township - Fire Contract	\$ 4,050	
Senior Center	<u>6,415</u>	
Total Contribution from Local Units		10,465



YATES TOWNSHIP, LAKE COUNTY  
IDLEWILD, MICHIGAN

GENERAL FUND  
ANALYSIS OF CASH RECEIPTS

FOR THE YEAR ENDED MARCH 31, 2004

CHARGES FOR SERVICES

Laundromat Receipts	\$ 566
Ordinance Fines and Costs	83
Summer Tax Collections	10,780
Cemetery Lots and Burials	<u>1,300</u>

Total Charges for Services	12,729
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INTEREST AND RENTS

Interest Earnings	\$ 1,074
Industrial Building Rental	3,400
Tower Rental	<u>3,300</u>

Total Interest and Rents	7,774
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OTHER RECEIPTS

Deed Recording Fees	\$ 625
Private Grants	2,000
Refunds, Rebates and Donations	8,956
Street Signs	175
Miscellaneous	<u>3,026</u>

Total Other Receipts	<u>14,782</u>
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TOTAL RECEIPTS	<u>\$ 440,847</u>
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YATES TOWNSHIP, LAKE COUNTY  
IDLEWILD, MICHIGAN

GENERAL FUND  
ANALYSIS OF CASH DISBURSEMENTS

FOR THE YEAR ENDED MARCH 31, 2004

LEGISLATIVE

Township Board

Personal Services

Salaries and Wages - Per Diem	\$	1,725
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Supplies

Office Supplies		9,700
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Other Services and Charges

Printing and Publishing		741
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Professional Services		10,074
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Jazz Festival		765
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Bank Charges		30
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Dues and Fees		420
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Miscellaneous		498
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Capital Outlay

Land Acquisition		120
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Total Legislative	\$	24,073
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GENERAL GOVERNMENT

Supervisor

Personal Services

Salaries and Wages	\$	10,900
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Other Services and Charges

Communications		481
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Education and Training		417
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Miscellaneous		361
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Total Supervisor

	\$	12,159
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Elections

Personal Services

Salaries and Wages	\$	800
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Supplies

Operating Supplies		283
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Other Services and Charges

Transportation		58
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Total Elections

	1,141
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YATES TOWNSHIP, LAKE COUNTY  
IDLEWILD, MICHIGAN

GENERAL FUND  
ANALYSIS OF CASH DISBURSEMENTS

FOR THE YEAR ENDED MARCH 31, 2004

Assessor		
Personal Services		
Salaries and Wages	\$ 16,995	
Salaries and Wages - Assistant	9,093	
Supplies		
Operating Supplies	2,740	
Other Services and Charges		
Communications	650	
Transportation	194	
Contracted Services	1,068	
Assessment Roll	4,213	
Dues and Fees	105	
Total Assessor		35,058
Clerk		
Personal Services		
Salaries and Wages	\$ 9,252	
Salaries and Wages - Deputy	1,173	
Salaries and Wages - Clerical	1,212	
Other Services and Charges		
Contracted Services	109	
Transportation	671	
Total Clerk		12,417
Board of Review		
Personal Services		
Salaries and Wages - Per Diem	\$ 930	
Supplies		
Operating Supplies	202	
Other Services and Charges		
Transportation	120	
Printing and Publishing	236	
Total Board of Review		1,488
Treasurer		
Personal Services		
Salaries and Wages	\$ 9,252	
Salaries and Wages - Deputy	4,234	

YATES TOWNSHIP, LAKE COUNTY  
IDLEWILD, MICHIGAN  
  
GENERAL FUND  
ANALYSIS OF CASH DISBURSEMENTS  
  
FOR THE YEAR ENDED MARCH 31, 2004

Supplies		
Operating Supplies	1,200	
Other Services and Charges		
Education and Training	69	
Transportation	21	
	<hr/>	
Total Treasurer		14,776
Computer Administration		
Supplies		
Operating Supplies	\$ 546	
Other Services and Charges		
Contracted Services	692	
Capital Outlay		
Equipment	2,467	
	<hr/>	
Total Computer Administration		3,705
Building and Grounds		
Personal Services		
Salaries and Wages	\$ 12,507	
Salaries and Wages - Senior Center	5,377	
Supplies		
Operating Supplies	366	
Operating Supplies - Senior Center	251	
Maintenance Supplies	6,600	
Other Services and Charges		
Communications	2,475	
Communications - Senior Center	459	
Utilities	4,437	
Utilities - Senior Center	2,838	
Utilities - Industrial Center	2,222	
Utilities - Cemetery	177	
Repairs and Maintenance - Senior Center	312	
Repairs and Maintenance - Industrial Center	3,537	
Repairs and Maintenance - Laundromat	820	
Alarm - Senior Center	220	
Pest Control - Senior Center	242	
Transportation	4	
Miscellaneous - Senior Center	1,516	
Miscellaneous - Cemetery	180	

YATES TOWNSHIP, LAKE COUNTY  
IDLEWILD, MICHIGAN

GENERAL FUND  
ANALYSIS OF CASH DISBURSEMENTS

FOR THE YEAR ENDED MARCH 31, 2004

Capital Outlay			
Equipment	1,928		
Total Building and Grounds		46,468	
 Total General Government			127,212

PUBLIC SAFETY

Crime Patrol			
Supplies			
Operating Supplies	\$ 1,722		
Other Services and Charges			
Contracted Services	33,706		
Capital Outlay			
Police Car	4,350		
Total Crime Patrol		\$ 39,778	
Fire Protection			
Personal Services			
Salaries and Wages - Chief	\$ 3,850		
Salaries and Wages - Volunteers	15,100		
Supplies			
Operating Supplies	1,095		
Other Services and Charges			
Communications	1,204		
Gasoline	2,163		
Repairs and Maintenance	9,258		
Education and Training	320		
Utilities	5,206		
Insurance	1,118		
Miscellaneous	8,063		
Capital Outlay			
Equipment	5,422		
Total Fire Protection		52,799	
 Total Public Safety			92,577

YATES TOWNSHIP, LAKE COUNTY  
IDLEWILD, MICHIGAN

GENERAL FUND  
ANALYSIS OF CASH DISBURSEMENTS  
FOR THE YEAR ENDED MARCH 31, 2004

PUBLIC WORKS

Highways, Streets and Bridges		
Other Services and Charges		
Dust Control	\$	3,638
Street Lighting		
Other Services and Charges		
Utilities		34,406
Refuse Collection		
Other Services and Charges		
Contracted Services		61,038
		<hr/>
Total Public Works		99,082

COMMUNITY AND ECONOMIC DEVELOPMENT

Zoning Board		
Personal Services		
Salaries and Wages	\$	1,765
Supplies		
Operating Supplies		610
Other Services and Charges		
Contracted Services		2,154
Education and Training		696
Printing and Publishing		242
Transportation		164
Miscellaneous		113
		<hr/>
Total Community and Economic Development		5,744

RECREATION AND CULTURAL

Parks		
Other Services and Charges		
Contracted Services	\$	6,250
Utilities - Williams		1,063
Utilities - Flamingo		138
Repairs and Maintenance - Williams		274
		<hr/>
Total Parks	\$	7,725

YATES TOWNSHIP, LAKE COUNTY  
IDLEWILD, MICHIGAN

GENERAL FUND  
ANALYSIS OF CASH DISBURSEMENTS

FOR THE YEAR ENDED MARCH 31, 2004

Library

Personal Services

Salaries and Wages \$ 5,670

Supplies

Books 4,379

Operating Supplies 252

Other Services and Charges

Transportation 91

Communications 1,170

Miscellaneous 2,408

Total Library 13,970

Total Recreation and Cultural 21,695

PUBLIC TRANSPORTATION

Other Services and Charges

Contracted Services - D.A.R.T. 8,056

OTHER FUNCTIONS

Insurance and Bonds \$ 20,295

Charge Backs 20,000

Employee Benefits

Medicare and Social Security 6,719

Workers Compensation 2,630

Total Other Functions 49,644

TOTAL CASH DISBURSEMENTS \$ 428,083

YATES TOWNSHIP, LAKE COUNTY  
IDLEWILD, MICHIGAN

SEWER FUND  
BALANCE SHEET

MARCH 31, 2004

ASSETS

Current Assets

Cash	
Commercial Account	\$ 17,630
Accounts Receivable	5,203
Total Current Assets	<u>\$ 22,833</u>

Restricted Assets

Cash	
Bond Reserve Account	\$ 15,083
Bond and Interest Redemption Fund	11
Total Restricted Assets	<u>\$ 15,094</u>

Property, Plant and Equipment

Machinery and Equipment	\$ 20,000
Easements	5,000
Sewer System	2,182,172
Total Property, Plant and Equipment	<u>\$ 2,207,172</u>
Less Accumulated Depreciation	110,305
Net Property, Plant and Equipment	<u>\$ 2,096,867</u>

TOTAL ASSETS	<u><u>\$ 2,134,794</u></u>
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LIABILITIES AND EQUITY

CURRENT LIABILITIES

Accrued Interest Payable	\$ 1,381
Revenue Bonds Payable - Current Portion	5,000
Total Current Liabilities	<u>\$ 6,381</u>

LONG-TERM LIABILITIES

Revenue Bonds Payable - Net of Current Portion	379,000
Total Liabilities	<u>\$ 385,381</u>

EQUITY

Contributed Capital	\$ 1,767,323
Retained Earnings (Deficit)	(17,910)
Total Equity	<u>\$ 1,749,413</u>

TOTAL LIABILITIES AND EQUITY	<u><u>\$ 2,134,794</u></u>
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YATES TOWNSHIP, LAKE COUNTY  
IDLEWILD, MICHIGAN

SEWER FUND  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS  
FOR THE YEAR ENDED MARCH 31, 2004

OPERATING REVENUES

Charges for Services		\$ 34,690
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OPERATING EXPENSES

Other Services and Charges		
Contracted Treatment	\$ 660	
Professional Services	3,000	
Utilities	4,883	
Telephone	1,120	
Repairs	1,422	
Depreciation	45,643	56,728

Operating Income (Loss)		\$ (22,038)
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NONOPERATING REVENUES (EXPENSES)

Interest Income		\$ 110
Interest Expense		(16,961)

Total Nonoperating Revenues (Expenses)		\$ (16,851)
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Net Income (Loss)		\$ (38,889)
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Depreciation on Fixed Assets Acquired by Grants and  
Shared Revenues Externally Restricted for Capital  
Acquisition and Construction that Reduces  
Contributed Capital

		45,643
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Increase (Decrease) in Retained Earnings		\$ 6,754
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<u>RETAINED EARNINGS (DEFICIT) - April 1, 2003</u>		(24,664)
----------------------------------------------------	--	----------

<u>RETAINED EARNINGS (DEFICIT) - March 31, 2004</u>		<u>\$ (17,910)</u>
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YATES TOWNSHIP, LAKE COUNTY  
IDLEWILD, MICHIGAN

SEWER FUND  
STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED MARCH 31, 2004

CASH FLOWS FROM OPERATING ACTIVITIES:

Operating Income (Loss)	<u>\$ (22,038)</u>
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities	
Depreciation	\$ 45,643
(Increase) Decrease in Current Assets	
Accounts Receivable	(1,025)
Increase (Decrease) in Current Liabilities	
Accrued Interest Payable	<u>(14)</u>
Total Adjustments	<u>\$ 44,604</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 22,566</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

Payment of Revenue Bonds	\$ (4,000)
Interest Expense	<u>(16,961)</u>
Net Cash Provided by (Used for) Capital and Related Financing Activities	<u>\$ (20,961)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest Income	<u>\$ 110</u>
Net Increase in Cash and Cash Equivalents	\$ 1,715

<u>CASH AND EQUIVALENTS</u> - April 1, 2003	<u>31,009</u>
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<u>CASH AND EQUIVALENTS</u> - March 31, 2004	<u><u>\$ 32,724</u></u>
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<u>INTEREST PAID</u>	\$ 16,975
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YATES TOWNSHIP, LAKE COUNTY  
IDLEWILD, MICHIGAN

AGENCY FUNDS

COMBINING STATEMENT OF ASSETS AND LIABILITIES ARISING FROM CASH TRANSACTIONS

MARCH 31, 2004

	<u>LAND TRUST FUND</u>	<u>CURRENT TAX COLLECTION FUND</u>	<u>TOTAL</u>
<u>ASSETS</u>			
Cash			
Commercial Accounts	\$ 32,486	\$ 11,712	\$ 44,198
Due from Other Funds	2,105	0	2,105
	<hr/>	<hr/>	<hr/>
TOTAL ASSETS	\$ 34,591	\$ 11,712	\$ 46,303
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
<u>LIABILITIES AND EQUITY</u>			
<u>LIABILITIES</u>			
Due to Other Governments	\$ 3,150	\$ 0	\$ 3,150
<u>EQUITY</u>			
Balance			
Unreserved	31,441	11,712	43,153
	<hr/>	<hr/>	<hr/>
TOTAL LIABILITIES AND EQUITY	\$ 34,591	\$ 11,712	\$ 46,303
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

YATES TOWNSHIP, LAKE COUNTY  
IDLEWILD, MICHIGAN

LAND TRUST FUND  
STATEMENT OF ASSETS AND LIABILITIES ARISING FROM CASH TRANSACTIONS

MARCH 31, 2004

ASSETS

Cash	\$ 32,486
Commercial Account	
Due from Other Funds	
General Fund	<u>2,105</u>
TOTAL ASSETS	<u>\$ 34,591</u>

LIABILITIES AND EQUITY

LIABILITIES

Due to Other Governments	\$ 3,150
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EQUITY

Balance	
Unreserved	<u>31,441</u>

TOTAL LIABILITIES AND EQUITY	<u>\$ 34,591</u>
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YATES TOWNSHIP, LAKE COUNTY  
IDLEWILD, MICHIGAN

LAND TRUST FUND  
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN BALANCE

FOR THE YEAR ENDED MARCH 31, 2004

RECEIPTS

Land Sales

Interest Earnings

\$ 25,340

51

Total Receipts

\$ 25,391

DISBURSEMENTS

Payments to County Treasurer

Property Tax

158

Excess of Receipts Over (Under) Disbursements

\$ 25,233

BALANCE - April 1, 2003

6,208

BALANCE - March 31, 2004

\$ 31,441

YATES TOWNSHIP, LAKE COUNTY  
IDLEWILD, MICHIGAN

CURRENT TAX COLLECTION FUND  
STATEMENT OF ASSETS AND LIABILITIES ARISING FROM CASH TRANSACTIONS

MARCH 31, 2004

	<u>ASSETS</u>	
Cash		
Commercial Account		<u>\$ 11,712</u>
	<u>EQUITY</u>	
Balance		<u>\$ 11,712</u>

YATES TOWNSHIP, LAKE COUNTY  
IDLEWILD, MICHIGAN

CURRENT TAX COLLECTION FUND  
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN BALANCE  
FOR THE YEAR ENDED MARCH 31, 2004

RECEIPTS

Current Tax Collections	\$ 758,988	
Delinquent Tax and Interest	564	
Property Tax Administration Fees	8,851	
Late Payment Penalties	688	
Commercial Forest	<u>7,013</u>	
Total Receipts		\$ 776,104

DISBURSEMENTS

Payments to County Treasurer		
Current Tax		
County	\$ 169,877	
State Education Tax	83,713	
Delinquent Tax and Interest		
County	134	
State Education Tax	70	
Summer Tax Interest		
State Education Tax	664	
Commercial Forest	<u>7,013</u>	261,471
Payments to Township Treasurer		
Current Tax		
Operating	\$ 110,730	
Special Assessment	95,053	
Lake Assessment	5,937	
Delinquent Tax and Interest	88	
Property Tax Administration Fees	6	
Late Payment Penalty	<u>24</u>	211,838

YATES TOWNSHIP, LAKE COUNTY  
IDLEWILD, MICHIGAN

CURRENT TAX COLLECTION FUND  
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN BALANCE  
FOR THE YEAR ENDED MARCH 31, 2004

Payments to School Treasurer			
Baldwin Community Schools			
Current Tax	\$ 237,142		
Delinquent Tax and Interest	230	237,372	
Payments to Intermediate School Treasurer			
Mason/Lake Intermediate			
Current Tax	\$ 54,344		
Delinquent Tax and Interest	42	54,386	
Total Disbursements			<u>765,067</u>
Excess of Receipts Over (Under) Disbursements			\$ 11,037
<u>BALANCE</u> - April 1, 2003			<u>675</u>
<u>BALANCE</u> - March 31, 2004			<u>\$ 11,712</u>



YATES TOWNSHIP, LAKE COUNTY  
IDLEWILD, MICHIGAN

STATEMENT OF LONG-TERM DEBT GROUP OF ACCOUNTS

MARCH 31, 2004

AMOUNT TO BE PROVIDED FOR PAYMENT OF LONG-TERM DEBT

Amount to be Provided from General Fund

\$ 54,708

LONG-TERM DEBT PAYABLE

Lake County Tax Chargebacks Note

\$ 30,751

Fire Equipment Note

23,957

\$ 54,708

YATES TOWNSHIP, LAKE COUNTY  
IDLEWILD, MICHIGAN

STATEMENT OF 2003 TAX ROLL  
MARCH 31, 2004

TAXES ASSESSED

County	\$ 243,810	
County - State Education Tax	107,156	
County - Renacance Zone	190	
Township		
Operating	158,968	
Special Assessment	159,727	
Lake Assessment	8,043	
School		
Baldwin Community Schools	349,733	
Intermediate Schools		
Mason/Lake Intermediate	<u>78,017</u>	\$ 1,105,644

TAXES COLLECTED

County	\$ 170,820	
County - State Education Tax	83,713	
County - Renacance Zone	190	
Township		
Operating	111,224	
Special Assessment	95,131	
Lake Assessment	5,937	
School		
Baldwin Community Schools	237,627	
Intermediate School		
Mason/Lake Intermediate	<u>54,346</u>	<u>758,988</u>

TAXES RETURNED DELINQUENT

County	\$ 72,990	
County - State Education Tax	23,443	
County - Renasance Zone	0	
Township		
Operating	47,744	
Special Assessment	64,596	
Lake Assessment	2,106	
School		
Baldwin Community Schools	112,106	
Intermediate School		
Mason/Lake Intermediate	<u>23,671</u>	<u>\$ 346,656</u>

YATES TOWNSHIP, LAKE COUNTY  
IDLEWILD, MICHIGAN

SANITARY SEWAGE DISPOSAL SYSTEM REVENUE BONDS - SERIES 1999  
YATES TOWNSHIP BONDS

STATEMENT OF BONDS PAYABLE  
MARCH 31, 2004

<u>TITLE OF ISSUE</u>	United States of America, State of Michigan, County of Lake, Township of Yates, Sanitary Sewage Disposal System Revenue Bonds - Series 1999		
<u>PURPOSE</u>	The proceeds of the series 1999 bonds were used in whole to accompany federal and local grant proceeds to finance the construction of a sanitary sewage disposal system in the Township of Yates.		
<u>DATE OF ISSUE</u>	December 22, 1999		
<u>INTEREST RATE</u>	4.375%		
<u>AMOUNT OF ISSUE</u>	\$ 396,000		
<u>AMOUNT REDEEMED</u>			
Prior to Current Year	\$	8,000	
During Current Year		4,000	12,000
<u>BALANCE OUTSTANDING - March 31, 2004</u>			<u>\$ 384,000</u>

<u>DUE DATES</u>	<u>INTEREST RATES</u>	<u>REQUIREMENTS</u>		
		<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
September 1, 2004	4.375%		\$ 8,400	\$ 8,400
March 1, 2005	4.375%	5,000	8,400	13,400
September 1, 2005	4.375%		8,291	8,291
March 1, 2006	4.375%	5,000	8,291	13,291
September 1, 2006	4.375%		8,181	8,181
March 1, 2007	4.375%	5,000	8,181	13,181
September 1, 2007	4.375%		8,072	8,072
March 1, 2008	4.375%	5,000	8,072	13,072
September 1, 2008	4.375%		7,963	7,963

YATES TOWNSHIP, LAKE COUNTY  
IDLEWILD, MICHIGAN

SANITARY SEWAGE DISPOSAL SYSTEM REVENUE BONDS - SERIES 1999  
YATES TOWNSHIP BONDS

STATEMENT OF BONDS PAYABLE  
MARCH 31, 2004

<u>DUE DATES</u>	<u>INTEREST RATES</u>	<u>REQUIREMENTS</u>		
		<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
March 1, 2009	4.375%	6,000	7,963	13,963
September 1, 2009	4.375%		7,831	7,831
March 1, 2010	4.375%	6,000	7,831	13,831
September 1, 2010	4.375%		7,700	7,700
March 1, 2011	4.375%	6,000	7,700	13,700
September 1, 2011	4.375%		7,569	7,569
March 1, 2012	4.375%	7,000	7,569	14,569
September 1, 2012	4.375%		7,416	7,416
March 1, 2013	4.375%	7,000	7,416	14,416
September 1, 2013	4.375%		7,263	7,263
March 1, 2014	4.375%	7,000	7,263	14,263
September 1, 2014	4.375%		7,109	7,109
March 1, 2015	4.375%	7,000	7,109	14,109
September 1, 2015	4.375%		6,956	6,956
March 1, 2016	4.375%	8,000	6,956	14,956
September 1, 2016	4.375%		6,781	6,781
March 1, 2017	4.375%	8,000	6,781	14,781
September 1, 2017	4.375%		6,606	6,606
March 1, 2018	4.375%	8,000	6,606	14,606
September 1, 2018	4.375%		6,431	6,431
March 1, 2019	4.375%	9,000	6,431	15,431
September 1, 2019	4.375%		6,234	6,234
March 1, 2020	4.375%	9,000	6,234	15,234
September 1, 2020	4.375%		6,038	6,038
March 1, 2021	4.375%	10,000	6,038	16,038
September 1, 2021	4.375%		5,819	5,819
March 1, 2022	4.375%	10,000	5,819	15,819
September 1, 2022	4.375%		5,600	5,600
March 1, 2023	4.375%	10,000	5,600	15,600
September 1, 2023	4.375%		5,381	5,381
March 1, 2024	4.375%	11,000	5,381	16,381
September 1, 2024	4.375%		5,141	5,141

YATES TOWNSHIP, LAKE COUNTY  
IDLEWILD, MICHIGAN

SANITARY SEWAGE DISPOSAL SYSTEM REVENUE BONDS - SERIES 1999  
YATES TOWNSHIP BONDS

STATEMENT OF BONDS PAYABLE  
MARCH 31, 2004

<u>DUE DATES</u>	<u>INTEREST RATES</u>	<u>REQUIREMENTS</u>		
		<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
March 1, 2025	4.375%	11,000	5,141	16,141
September 1, 2025	4.375%		4,900	4,900
March 1, 2026	4.375%	12,000	4,900	16,900
September 1, 2026	4.375%		4,638	4,638
March 1, 2027	4.375%	12,000	4,638	16,638
September 1, 2027	4.375%		4,375	4,375
March 1, 2028	4.375%	13,000	4,375	17,375
September 1, 2028	4.375%		4,091	4,091
March 1, 2029	4.375%	14,000	4,091	18,091
September 1, 2029	4.375%		3,784	3,784
March 1, 2030	4.375%	14,000	3,784	17,784
September 1, 2030	4.375%		3,475	3,475
March 1, 2031	4.375%	15,000	3,478	18,478
September 1, 2031	4.375%		3,150	3,150
March 1, 2032	4.375%	15,000	3,150	18,150
September 1, 2032	4.375%		2,822	2,822
March 1, 2033	4.375%	16,000	2,822	18,822
September 1, 2033	4.375%		2,472	2,472
March 1, 2034	4.375%	17,000	2,472	19,472
September 1, 2034	4.375%		2,100	2,100
March 1, 2035	4.375%	18,000	2,100	20,100
September 1, 2035	4.375%		1,707	1,707
March 1, 2036	4.375%	18,000	1,707	19,707
September 1, 2036	4.375%		1,313	1,313
March 1, 2037	4.375%	19,000	1,313	20,313
September 1, 2037	4.375%		897	897
March 1, 2038	4.375%	20,000	897	20,897
September 1, 2038	4.375%		460	460
March 1, 2039	4.375%	21,000	460	21,460
		<u>\$ 384,000</u>	<u>\$ 373,935</u>	<u>\$ 757,935</u>

YATES TOWNSHIP, LAKE COUNTY  
IDLEWILD, MICHIGAN

SANITARY SEWAGE DISPOSAL SYSTEM REVENUE BONDS - SERIES 1999  
YATES TOWNSHIP BONDS

STATEMENT OF BONDS PAYABLE  
MARCH 31, 2004

REDEMPTION PRIOR TO MATURITY

The bonds shall be subject to prepayment prior to maturity at the option of the Township, in any order, in whole or in part, in integral multiples of \$1,000, on any date, at par plus accrued interest to the date of such prepayment.

Notice of the redemption for any principal installment of this Bond for repayment at the option of the Township shall be given by first class mail, not less than 30 days prior to the date fixed for prepayment, to the registered owner of this Bond at the address shown on the bond register kept by the Registrar; provided, however, that failure to give such notice by mailing or any defect therein shall not effect the validity of any proceedings for the redemption of Bonds.

134 WEST HARRIS STREET  
CADILLAC, MICHIGAN 49601  
231-775-9789  
FAX: 231-775-9749

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1902 - 1990  
JACK H. BAIRD, C.P.A.  
JERRY L. COTTER, C.P.A.  
DALE D. COTTER, C.P.A.

*Baird, Cotter and Bishop, P.C.*

CERTIFIED PUBLIC ACCOUNTANTS

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MICHAEL D. COOL, C.P.A.

December 6, 2004

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Township Board  
Yates Township  
Lake County  
Idlewild, Michigan

We have audited the financial statements of Yates Township, Lake County, Idlewild, Michigan, as of and for the year ended March 31, 2004, and have issued our report thereon dated December 6, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Yates Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Yates Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Yates Township's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Letter of Reportable Conditions.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control structure over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that the reportable condition described in the accompanying Letter of Reportable Conditions is a material weakness.

This report is intended for the information of management and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

BAIRD, COTTER AND BISHOP, P.C.

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CERTIFIED PUBLIC ACCOUNTANTS

December 6, 2004

LETTER OF COMMENTS AND RECOMMENDATIONS

To the Township Board  
Yates Township  
Lake County  
Idlewild, Michigan

During the course of our audit of the general-purpose financial statements of Yates Township for the year ended March 31, 2004, we noted the following items:

Budgeting

Numerous General Fund categories exceeded the budgeted amounts. Also, total expenditures exceeded the total budgeted expenditures. The budget should always be amended prior to incurring expenditures in excess of budgeted amounts. All amendments should be approved by the Township Board and be recorded in the minutes.

Payroll Recording and Reporting

During the year, the Township recorded some payroll expense at net amounts in the General Fund ledger. We recommend that all pay be recorded at gross amounts with appropriate payroll tax withholdings also being recorded. In addition, we recommend that the payroll expense recorded in the journal be reconciled to quarterly payroll tax returns prior to filing the quarterly returns.

GASB 34

The Government Accounting Standards Board has issued a new pronouncement that will dramatically change the way governmental entities report their financial information. For Yates Township, GASB 34 will become effective for the year ending March 31, 2005.

Some of the changes required by GASB 34 are as follows:

- a) Management's discussion and analysis will be the first thing in a financial report. This will be the administration's narrative overview of the information contained in the financial statements.
- b) The budgetary comparison information must report the original adopted budget and the final amended budget.

- c) Capital assets and long-term liabilities will be required to be reported in the balance sheet. The depreciation on the capital assets will then be reported as an expense in the statement of revenues and expenses. With this change, the financial statements of a government entity will look similar to a for-profit business financial statements.

We are available to advise you and offer assistance on how to proceed with steps needed to meet GASB 34 requirements.

#### Bank Reconciliations

At year end we had to reconcile the book balances to the bank for all accounts. This procedure should be completed by the Township on a monthly basis with copies of the reconciliations maintained with the bank statements.

#### Accounting Records

The trust and agency transactions for special assessments were not posted to the Townships computerized general ledger. As a result we had to make adjustments to include these transactions in the General Fund. In the future all special assessment transactions should be recorded in the computerized general ledger.

#### Reportable Condition in Internal Controls

In planning and performing our audit of the general-purpose financial statements of Yates Township for the year ended March 31, 2004, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the general-purpose financial statements.

Certain matters considered to be reportable conditions in internal control were noted. We have included a separate letter (letter of reportable conditions) which addresses those items noted.

#### Sewer Fund - Restricted Assets

Restricted funds are required to be set aside to meet Sewer Fund bond ordinance requirements. At March 31, 2004, the Sewer Fund Bond Reserve and Bond and Interest Redemption Accounts did not meet the ordinance requirements. The Township should transfer excess funds from the Sewer Receiving Fund to meet the requirements of the bond ordinance.

We would like to thank the board for awarding our firm the audit assignment of the Township and thank the Township officers for their cooperation.

If you have any questions relative to the above comments and recommendations or other areas of your annual accounting, please feel free to call on us.

Very truly yours,

BAIRD, COTTER AND BISHOP, P. C.

*Baird, Cotter & Bishop, P.C.*

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December 6, 2004

## LETTER OF REPORTABLE CONDITIONS

To the Township Board  
Yates Township  
Lake County  
Idlewild, Michigan

In planning and performing our audit of the general-purpose financial statements of Yates Township, Lake County, Idlewild, Michigan for the year ended March 31, 2004, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the general-purpose financial statements and not to provide assurance on the internal control structure. However, we noted certain matters that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the organization's ability to record, process, summarize, and report financial data consistent with the assertions of management in the general-purpose financial statements.

The relatively small number of people involved in the accounting functions of the Township and the design of the accounting system as developed by the state make it difficult to adequately segregate duties. Segregation of accounting duties is a fundamental method of strengthening internal control. However, in deciding what internal control procedures should be implemented, the Board must consider the costs of implementing them and weigh those costs against the benefits to be derived from their implementation.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material to the general-purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we believe that the condition described above is a material weakness.

This report is intended solely for the information and use of the Board and others within the organization. This restriction is not intended to limit the distribution of the report, which is a matter of public record.

Very truly yours,

BAIRD, COTTER AND BISHOP, P. C.

*Baird, Cotter & Bishop, P.C*